

COPY

14795 *B*
REGISTRATION NO. _____ FILED 1425

OCT 1 1985 - 10 35 AM

INTERSTATE COMMERCE COMMISSION

LOAN AND SECURITY AGREEMENT

Dated as of September 28, 1985

Between

WHITEWOOD CREDIT CORPORATION

Lessor,

and

IRVING TRUST COMPANY

Lender

THE DOW CHEMICAL COMPANY

Lessee

Railcars

TABLE OF CONTENTS

	<u>Page</u>
A. DEFINITIONS	
A.1. <u>Definitions</u>	1
A.2. <u>Interpretation</u>	6
B. THE NOTES	
B.1. <u>The Notes</u>	6
B.2. <u>Interest Rates</u>	6
B.3. <u>Selection, Conversion or Renewal of</u> <u>Interest Rate Options</u>	12
B.4. <u>Interest and Principal Payment Dates</u>	14
B.5. <u>Additional Compensation in Certain</u> <u>Circumstances</u>	15
B.6. <u>Funding by Branch, Subsidiary or</u> <u>Affiliate</u>	17
B.7. <u>Limitation of Lessor's Liability</u>	18
B.8. <u>Application of Rent and Other Proceeds</u> ...	18
B.9. <u>Prepayment</u>	19
B.10. <u>Exchange</u>	19
C. SECURITY	
C.1. <u>Grant of Security</u>	20
C.2. <u>Perfecting Security</u>	24
C.3. <u>Title to Collateral</u>	25
C.4. <u>Inspection</u>	25
C.5. <u>Performance by Lessor</u>	25
C.6. <u>Performance by Lender</u>	26

	<u>Page</u>
C.7. <u>Location of Chief Place of Business</u>	26
C.8. <u>Protection of Security</u>	27
C.9. <u>Disclaimer by Lender</u>	27
C.10. <u>Amendments to Agreements</u>	27
C.11. <u>Indemnity for Acts of Lessor</u>	28
C.12. <u>Notices</u>	28
C.13. <u>Further Assurances</u>	28
C.14. <u>Representations and Warranties of Lessor</u> ..	28
 D. DEFAULT	
D.1. <u>Defaults</u>	30
D.2. <u>Effect of a Default</u>	31
D.3. <u>Right to Cure</u>	34
D.4. <u>Right to Purchase the Note</u>	34
D.5. <u>Waiver by Lessor</u>	35
D.6. <u>Right to Purchase Collateral</u>	35
D.7. <u>Cumulative Rights</u>	35
D.8. <u>Rights Under the Lease</u>	36
D.9. <u>Lender as Agent</u>	36
D.10. <u>Reliance of Lender</u>	36
 E. MISCELLANEOUS	
E.1. <u>Successors and Assigns</u>	37
E.2. <u>Governing Law</u>	38
E.3. <u>Entire Agreement</u>	38
E.4. <u>Counterparts</u>	38

	<u>Page</u>
E.5. <u>Notices</u>	39
E.6. <u>Expenses</u>	39
E.7. <u>Captions</u>	39
E.8. <u>Judicial Proceedings</u>	39
E.9. <u>Waiver of Jury Trial</u>	40
E.10. <u>Severability; Unenforceability of</u> <u>Particular Provisions</u>	40
EXHIBIT A - FORM OF NONRECOURSE PROMISSORY NOTE	
EXHIBIT B - INFORMATION FOR NOTICES AND PAYMENTS	
EXHIBIT C - ACKNOWLEDGMENTS OF WHITEWOOD CREDIT CORPORATION AND IRVING TRUST COMPANY	

LOAN AND SECURITY AGREEMENT

This LOAN AND SECURITY AGREEMENT (the "Security Agreement") dated as of the 28th day of September, 1985, by and between WHITEWOOD CREDIT CORPORATION, a Colorado corporation with its chief executive office and place of business at 2995 Baseline Road, Boulder, Colorado 80302 ("Lessor"), and IRVING TRUST COMPANY ("Lender"),

W I T N E S S E T H:

WHEREAS, Lessor has entered into the Lease, as hereinafter defined, dated as of September 20, 1985 with The Dow Chemical Company, a Delaware corporation ("Lessee"), providing for the leasing to Lessee of the Equipment; and

WHEREAS, in accordance with the terms and conditions of the Participation Agreement dated as of the date hereof ("Participation Agreement") among Lessor, Lender and Lessee, Lessor proposes to finance a portion of the purchase price of the Equipment subject to the Lease by issuing and selling its nonrecourse Note to Lender and to secure its obligations under the Note by a grant hereunder to Lender of a purchase money security interest in the collateral constituted of or related to such Lease; and

WHEREAS, Lender will receive from Capital Associates International, Inc. a guarantee under the Guarantee Agreement (as defined in the Participation Agreement) and in reliance upon such guarantee Lender is willing to purchase the nonrecourse Note of Lessor;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter contained, the parties hereto agree as follows:

A. DEFINITIONS

A.1. Definitions.

"Acknowledgment of Assignment" shall mean an Acknowledgment of Assignment with respect to the Equipment under the Lease in substantially the form of Exhibit F to the Lease.

"Additional Loans" shall mean any loans made pursuant to Section B.4(b) of this Security Agreement.

"As-Offered Rate" and "As-Offered Rate Option" shall have the meanings assigned to those terms in Section B.2(a)(iv) of this Security Agreement.

"As-Offered Rate Funding Period" shall have the meaning assigned to that term in Section B.2(b) of this Security Agreement.

"Assessment Rate" shall have the meaning assigned to that term in Section B.2(a)(ii) of this Security Agreement.

"Bills of Sale" in respect of the Lease shall mean the bills of sale evidencing sale to the Lessor of the Equipment subject to the Lease.

"Business Day" shall mean (i) with respect to selection of, conversion to or renewal of the Euro-Rate Option or determining the first or last day of any Euro-Rate Funding Period, a day for dealings in deposits in Dollars by and among banks in the London interbank market and on which commercial banks are open for domestic and foreign exchange business in New York City and London and (ii) with respect to selection of, conversion to or renewal of any other interest rate Option, determining the first or last day of any other Funding Period and in every other context, any day other than a Saturday, Sunday, public holiday under the laws of the State of New York or other day on which banking institutions are authorized or obligated to close in New York City.

"CD Rate", "CD Rate Option" and "CD Rate Reserve Percentage" shall have the meanings assigned to those terms in Section B.2(a)(ii) of this Security Agreement.

"CD Rate Funding Period" shall have the meaning assigned to that term in Section B.2(b) of this Security Agreement.

"Certificate of Acceptance" in respect of the Lease shall mean the Certificate of Acceptance with respect to the Equipment subject to the Lease.

"Closing" shall mean the Closing hereunder to be held on the Closing Date.

"Closing Date" shall mean September 30, 1985.

"Collateral" shall have the meaning as defined in Section C.1 of this Security Agreement.

"Commencement Date" shall have the meaning specified in the Lease.

"Corresponding Source of Funds" shall mean:

- (i) during any CD Rate Funding Period, the proceeds of hypothetical issuances by the Lender of one or more certificates of deposit of the Lender at the beginning of such CD Rate Funding Period, having maturities approximately equal to such CD Rate Funding Period and in an aggregate amount approximately equal to the then outstanding principal amount of the Loan; and
- (ii) during any Euro-Rate Funding Period, the proceeds of hypothetical receipts by a Notional Euro-Rate Funding Office or by the Lender through a Notional Euro-Rate Funding Office of one or more dollar deposits in the interbank eurodollar market at the beginning of such Euro-Rate Funding Period, having maturities approximately equal to such Euro-Rate Funding Period and in an aggregate amount approximately equal to the then outstanding principal amount of the Loan.

"Default" shall mean any event which with lapse of time or notice, or both, would become an Event of Default.

"Dollars" shall mean lawful money of the United States of America.

"Equipment" shall mean the railcars described in Equipment Schedule No. 1.

"Equipment Schedule No. 1" shall mean Equipment Schedule No. 1, dated as of September 20, 1985, between Lessor and Lessee, which constitutes a Lease and incorporates the terms of the Master Lease Agreement.

"Euro-Rate", "Euro-Rate Option" and "Euro-Rate Reserve Percentage" shall have the meanings assigned to those terms in Section B.2(a)(iii) of this Security Agreement.

"Euro-Rate Funding Period" shall have the meaning assigned to that term in Section B.2(b) of this Security Agreement.

"Event of Default" shall mean any event listed in Section D.1(a)-(d) of this Security Agreement.

"Event of Loss" shall mean damage to the Equipment with respect to which Lessee has made the election described in the Lease.

"Funding Period" shall have the meaning assigned to that term in Section B.2(b) of this Security Agreement.

"Indebtedness" shall have the meaning as defined in Section C.1 of this Security Agreement.

"Initial Funding Period" shall have the meaning assigned to that term in Section B.2(c) of this Security Agreement.

"Law" shall mean any law (including common law), constitution, statute, treaty, regulation, rule, ordinance order, injunction, writ, decree, award or guideline or interpretation or administration thereof by any Official Body charged with the interpretation or administration thereof or with any request or directive of any such Official Body (whether or not having the force of law).

"Lease" shall mean a single agreement comprised of Equipment Schedule No. 1, and the Master Lease which is incorporated into such Equipment Schedule No. 1.

"Lender" shall mean the banking corporation identified as such in the preamble hereof.

"Lessor" shall mean the corporation identified as such in the preamble hereof, except that, notwithstanding such preamble, for purposes of Sections B.1 through B.6 only, such term shall include Lessor's designee or agent.

"Loan" shall mean the unpaid principal amount evidenced by the Note, including the aggregate principal amounts of any Additional Loans.

"Loss Payment Date" shall mean the April 1 or October 1, next following the occurrence of an Event of Loss.

"Master Lease Agreement" shall mean the Master Lease Agreement dated as of September 20, 1985, executed for purposes of identification of certain terms between Lessor and Lessee, and incorporated in full into the Lease.

"Note" shall mean the nonrecourse promissory note issued by Lessor to Lender pursuant to this Security Agreement in the original principal amount of \$430,935.00 evidencing the Loan, such Note maturing on October 1, 1995, and substantially in the form set forth in Exhibit A hereto "Note" shall also mean any successor or substitute note issued in lieu of such Note.

"Notional Euro-Rate Funding Office" shall have the meaning assigned to that term in Section B.6(a) of this Security Agreement.

"Official Body" shall mean any government or political subdivision or any agency, authority, bureau, central bank, commission, department or instrumentality of either, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

"Option" and "Options" shall mean the Prime Rate Option, the CD Rate Option, the Euro-Rate Option and/or the As-Offered Rate Option, as the case may be.

"Permitted Lessor Liens" shall mean (i) the security interest created by the Security Agreement; (ii) liens for taxes either not yet due or being contested in good faith by appropriate proceedings diligently conducted so long as such proceedings shall stay the enforcement thereof and the sale or forfeiture of the Equipment or any part thereof or interest therein and provided that Lessee is obligated to discharge such lien when it becomes due or determined to exist; (iii) undetermined or inchoate materialmen's mechanics', workmen's, repairmen's or employees' liens or other like liens arising in the ordinary course of business and securing obligations which are not delinquent or which shall have been bonded or the enforcement of which shall have been suspended (but only for the duration of such suspension), provided Lessee is obligated to discharge such lien when it becomes determined or choate; and (iv) the rights of Lessee and any permitted sublessee or assignee under the Leases.

"Prime Rate" and "Prime Rate Option" shall have the meanings assigned to those terms in Section B.2(a)(i) of the Security Agreement.

"Rent" shall mean all amounts payable by Lessee (including any and all rights to payment of money or consideration of any kind by the Lessor) under the Lease.

"Security Equipment" shall have the meaning assigned to that term in Section C.1(a) of the Security Agreement.

"Standard Notice" shall mean an irrevocable notice provided to the Lender as set forth in Section B.3 and in accordance with Section E.5 of the Security Agreement.

A.2. Interpretation. All accounting terms used herein in an accounting context and not otherwise defined in Exhibit A shall have their meanings determined by reference to generally accepted accounting principles, as they exist in the United States as of the date hereof. The term "including" or any of its variants shall mean "including" or such variant "without limiting the generality of the foregoing."

B. THE NOTES

B.1. The Notes. The Loan by Lender shall be evidenced by the Note payable to the order of Lender. The unpaid principal amounts of the Note, the unpaid interest accrued thereon, the interest rate or rates applicable to such unpaid principal amounts and the duration of such applicability shall at all times be ascertained from the records of Lender, which shall be conclusive absent manifest error.

B.2. Interest Rates. (a) Optional Basis of Borrowing. The unpaid principal amount of the Loan shall bear interest for each day until due on one of the bases selected by Lessor in accordance with Section B.3(a) hereof from among the interest rate Options set forth below, it being understood that, except as provided in Section B.2(c) hereof, Lessor may select only one such Option to apply to the entire Loan at any one time:

(i) Prime Rate Option: A rate per annum (computed on the basis of a year of 360 days), for each day equal to the Prime Rate for such day, such interest rate to change automatically from time to time effective

as of the effective date of each change in the Prime Rate. "Prime Rate", as used herein, shall mean the interest rate per annum publicly announced from time to time by Lender in New York City as its prime rate.

(ii) CD Rate Option: A rate per annum (based on a year of 360 days and actual days elapsed) for each day equal to the CD Rate for such day plus 3/8 of 1% provided, that, after October 1, 1990 such rate shall be equal to the CD Rate for such day plus 1/2 of 1%. "CD Rate" for any day, as used herein, shall mean with respect to any proposed or existing CD Rate Funding Period the rate per annum determined by Lender by adding

(A) the rate per annum obtained by dividing (the resulting quotient to be rounded upward to the nearest 1/100 of 1%) (1) the rate of interest (which shall be the same for each day in such CD Rate Funding Period) determined in good faith by Lender in accordance with its usual procedures (which determination shall be conclusive) to be the average of the secondary market bid rates at or about 11:00 o'clock a.m., New York City time, on the first day of such CD Rate Funding Period by dealers of recognized standing in negotiable certificates of deposit for the purchase at face value of negotiable certificates of deposit of major money center banks for delivery on such day in amounts comparable to the then outstanding principal balance of the Loan (or part thereof not bearing interest at the Prime Rate under Section B.2(d) hereof) having maturities comparable to such CD Rate Funding Period by (2) a number equal to 1.00 minus the CD Rate Reserve Percentage and

(B) the Assessment Rate.

The "CD Rate" described in this Section B.2(a)(ii) may also be expressed by the following formula:

$$R = \frac{M}{(1-P)} + A$$

where:

R	=	CD Rate
M	=	Average of the secondary market bid rates estimated by Lender per subsection (ii)(A)(1) of this Section B.2(a)
P	=	CD Rate Reserve Percentage
A	=	Assessment Rate

The "CD Rate Reserve Percentage" for any day is the maximum effective percentage (expressed as a decimal fraction, rounded upward to the nearest 1/100 of 1%), as determined in good faith by Lender (which determination shall be conclusive), which is in effect on such day as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including supplemental, marginal and emergency reserve requirements) for a member bank of such System in respect of non-personal time deposits in Dollars in the United States. The CD Rate shall be adjusted automatically during any CD Rate Funding Period on the effective date of any change in the CD Rate Reserve Percentage, as of such effective date.

The "Assessment Rate" for any day is the rate per annum (rounded upward to the nearest 1/100 of 1%) determined in good faith by Lender in accordance with its usual procedures (which determination shall be conclusive) to be the maximum effective assessment rate per annum payable by a bank insured by the Federal Deposit Insurance Corporation (or any successor) for such day for insurance on Dollar time deposits, exclusive of any credit allowed against such annual assessment on account of assessment payments made or to be made by such bank. The CD Rate shall be adjusted automatically during any CD Rate Funding Period on the effective date of each change in the Assessment Rate, as of such effective date.

Lender shall give prompt notice to Lessor of the CD Rate so determined or adjusted, which determination or adjustment shall be conclusive if made in good faith.

(iii) Euro-Rate Option: A rate per annum (based on a year of 360 days and actual days elapsed) for each day equal to the Euro-Rate for such day plus 3/8 of 1% provided, that, after October 1, 1990 such rate shall be equal to the Euro-Rate for such day plus 1/2 of 1 %. "Euro-Rate" for any day, as used herein, shall mean with respect to any proposed or existing Euro-Rate Funding Period the rate per annum determined by Lender by dividing (the resulting quotient to be rounded upward to the nearest 1/100 of 1%) (A) the rate of interest (which shall be the same for each day in such Euro-Rate Funding Period) determined in good faith by Lender in accordance with its usual procedures (which determination shall be conclusive) to be the average of the rates per annum for deposits in Dollars offered to leading banks in the

London interbank market at approximately 11:00 o'clock a.m., London time, on the day two Business Days prior to the first day of such Euro-Rate Funding Period for delivery on the first day of such Euro-Rate Funding Period in amounts comparable to the then outstanding principal balance of the Loan (or part, thereof not bearing interest at the Prime Rate under Section B.2(d) hereof) and having maturities comparable to such Euro-Rate Funding Period by (B) a number equal to 1.00 minus the Euro-Rate Reserve Percentage.

The "Euro-Rate" described in this Section B.2(a)(iii) may also be expressed by the following formula:

$$E = \frac{M}{1-P}$$

where

E	=	Euro-Rate
M	=	average of the rates offered to leading banks in the London interbank market estimated by Lender per subsection (iii)(A) of this Section B.2(a)
P	=	Euro-Rate Reserve Percentage

The "Euro-Rate Reserve Percentage" for any day is the maximum effective percentage (expressed as a decimal fraction, rounded upward to the nearest 1/100 of 1%), as determined in good faith by Lender (which determination shall be conclusive), which is in effect on such day as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including, supplemental, marginal and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as "Eurocurrency Liabilities") of a member bank in such System. The Euro-Rate shall be adjusted automatically during any Euro-Rate Funding Period on the effective date of any change in the Euro-Rate Reserve Percentage, as of such effective date.

Lender shall give prompt notice to Lessor of the Euro-Rate so determined or adjusted, which determination or adjustment shall be conclusive if made in good faith.

(iv) As-Offered Rate Option: A rate per annum (the "As-Offered Rate") offered at Lessor's request by

Lender in Lender's sole discretion to Lessor on the day which is the Second Business Day prior to the end of a current Funding Period with respect to any As-Offered Rate Funding Period commencing next after such current Funding Period that Lender shall determine in its sole discretion, which rate shall remain fixed for the duration of such As-Offered Rate Funding Period.

(b) Funding Periods. At any time when Lessor shall select, convert to or renew the CD Rate Option, the Euro-Rate Option or the As-Offered Rate Option to apply to the Loan, Lessor (or in the case of the As-Offered Rate Option, Lender) shall select one of the periods during which such Option shall apply, all applicable periods (any one such applicable period being referred to as the "Funding Period") being set forth in the chart below:

Interest Rate Option

Available Funding Periods

CD Rate Option

30, 60, 90, 120, 180 or 360 days (any one such period being referred to as the "CD Rate Funding Period");

Euro-Rate Option

30, 60, 90, 120, 180 or 360 days (any one such period being referred to as the "Euro-Rate Funding Period");

As-Offered Rate Option

Such period as Lender shall offer in its sole discretion ("As-Offered Rate Funding Period");

provided, that, any Euro-Rate Funding Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Euro-Rate Funding Period shall end on the next preceding Business Day, and any CD Rate Funding Period or As-Offered Rate Funding Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day.

(c) Special Funding Periods. Whenever Lessor selects a CD Rate Funding Period or a Euro-Rate Funding Period or selects the As-Offered Rate Option with an As-Offered Rate Funding Period, which in each case would

extend beyond one or more of the scheduled maturities of installments of principal on the Loan (an "Initial Funding Period"), (i) Lessor may with consent of Lender, or shall if requested by Lender, also select the Prime Rate Option, the CD Rate Option, the Euro-Rate Option and/or the As-Offered Rate Option to apply to the unpaid installments of principal of the Loan scheduled to mature before the last day of such Initial Funding Period and, if the CD Rate Option, the Euro-Rate Option or the As-Offered Rate Option is so selected, Lessor shall select the corresponding CD Rate Funding Period(s) or Euro-Rate Funding Period(s) or consent to the As-Offered Rate Funding Period(s) set by Lender, and (ii) the remaining installments of principal of the Loan shall, during such Initial Funding Period, bear interest under the CD Rate Option, the Euro-Rate Option or the As-Offered Rate Option, as the case may be, as originally selected.

(d) Interest After Maturity. After the principal amount of any part of the Loan bearing interest at any interest rate Option shall have become due (at maturity, by acceleration or otherwise), such part of the Loan shall bear interest for each day until paid (before and after judgment) at a rate per annum which shall be equal to 1% above the then current Prime Rate, such interest rate to change automatically from time to time effective as of the effective date of each change in the Prime Rate. After maturity of any part of the Loan (by maturity, acceleration or otherwise), interest on such part of the Loan shall be due and payable on demand.

(e) CD Rate or Euro-Rate Unascertainable; Impracticability. If

(i) on any date on which a CD Rate or a Euro-Rate would otherwise be set Lender shall have in good faith determined (which determination shall be conclusive) that:

(A) adequate and reasonable means do not exist for ascertaining such CD Rate or Euro-Rate, or

(B) the effective cost to Lender of funding the Loan under the CD Rate Option or Euro-Rate Option from a Corresponding Source of Funds shall exceed the CD Rate or Euro-Rate, as the case may be, applicable to the Loan, or

(ii) at any time Lender shall have determined in good faith (which determination shall be conclusive) that the making, maintenance or funding of the Loan under the CD Rate Option or the Euro-Rate Option has been made impracticable or unlawful by (A) the occurrence of a contingency which materially and adversely affects the secondary market for negotiable certificates of deposit maintained by dealers of recognized standing or the interbank eurodollar market, as the case may be, or (B) compliance by Lender or a Notional Euro-Rate Funding Office in good faith with any Law;

then, and in any such event, Lender may notify Lessor of such determination. Upon such date as shall be specified in such notice (which shall not be earlier than the date such notice is given) the obligation of Lender to allow Lessor to select, convert to or renew the CD Rate Option or Euro-Rate Option, as the case may be, shall be suspended until Lender shall have later notified Lessor of Lender's determination in good faith (which determination shall be conclusive) that the circumstances giving rise to such previous determination no longer exist.

If Lender notifies Lessor of a determination under subsection (ii) of this Section B.2(e), Lessor shall on the date specified in such notice convert the Loan to another interest rate Option in accordance with Section B.3 hereof. Absent due notice from Lessor of such conversion, the Loan automatically shall be converted to the Prime Rate Option upon such specified date.

If at the time Lender makes a determination under subsection (i) or (ii) of this Section B.2(e) Lessor has previously notified Lender that it wishes to select, convert to or renew the CD Rate Option or Euro-Rate Option, as the case may be, but such Option has not yet gone into effect, such notification shall be deemed to provide for selection of, conversion to or renewal of the Prime Rate Option instead of the CD Rate Option or Euro-Rate Option, as the case may be.

B.3. Selection, Conversion or Renewal of Interest Rate Options.

(a) Selection, Conversion or Renewal. The Lessor may select any interest rate Option to apply to the Loan on the Closing Date. Thereafter, subject to the provisions of Section B.5(b) hereof, Lessor may convert the Loan from any interest rate Option to another interest rate Option and may

renew the CD Rate Option, the Euro-Rate Option or the As-Offered Rate Option:

(i) at any time with respect to conversion from the Prime Rate Option,

(ii) at the expiration of any Funding Period with respect to conversions from or renewals of the CD Rate Option, the Euro-Rate Option or the As-Offered Rate Option, as the case may be, or

(iii) on the date specified in a notice by the Lender pursuant to Section B.2(e) hereof with respect to conversions from the CD Rate Option or the Euro-Rate Option, as the case may be.

Whenever the Lessor desires to select, convert or renew any interest rate Option the Lessor shall provide to the Lender Standard Notice setting forth the following information:

(A) the interest rate Option selected, converted to or renewed, in each case selected in accordance with Section B.2(b) hereof,

(B) if the CD Rate Option or Euro-Rate Option is selected, converted to or renewed, the Funding Period selected in accordance with Section B.2(b) hereof, or if the As-Offered Rate Option is selected, converted to or renewed, the consent to the As-Offered Rate Funding Period selected by Lender, and

(C) the date, which shall be a Business Day and a day permitted by the provisions of subsections (a)(i)-(iii) of this Section B.3, on which any proposed conversion or renewal is to be made.

Standard Notice must be provided no later than 10:00 o'clock a.m., New York City time, on the last day permitted for such notice, as follows:

- (i) at least two Business Days in advance in the case of selection of, conversion to or renewal of the Prime Rate Option or the As-Offered Rate Option;
- (ii) at least two Business Days in advance in the case of selection of, conversion to or renewal of the CD Rate Option; and

- (iii) at least two Business Days in advance for selection of, conversion to or renewal of the Euro-Rate Option.

Standard Notice having been so provided, after the date specified in such Standard Notice interest shall be calculated upon the principal amount of the Loan as so selected, converted or renewed.

(b) Failure to Convert or Renew. Absent due notice from Lessor of conversion or renewal in the circumstances described in Section B.3(a) hereof, the Loan automatically shall be converted to the Prime Rate Option on the last day of the expiring Funding Period.

B.4. Interest and Principal Payment Dates. (a) Interest Payment Dates. Interest on the Loan while the Prime Rate Option is in effect shall be due and payable on the first day of each October and April after the date hereof. Interest on the Loan while the CD Rate Option, the Euro-Rate Option or the As-Offered Rate Option is in effect shall be due and payable on the last day of the applicable CD Rate Funding Period, Euro-Rate Funding Period or As-Offered Rate Funding Period, as the case may be, and on each October 1 and April 1 during such CD Rate Funding Period, Euro-Rate Funding Period or As-Offered Rate Funding Period.

(b) Option to Pay Interest and Certain Other Amounts by Increasing Principal. If the CD Rate Option, the Euro-Rate Option or the As-Offered Rate Option is in effect, and the applicable Funding Period does not terminate on any October 1 or April 1 or, if an amount is due and payable under Section B.5 on a date other than any October 1 or April 1 (the "Section B.5 Amounts"), Lessor may elect to pay such interest or the Section B.5 Amounts when first due and payable or may elect to borrow as additional loans (the "Additional Loans") from the holder of the Notes (i) amounts equal to the amounts of interest due and payable on the Notes on the last day of the applicable Funding Period or (ii) amounts equal to the Section B.5 Amounts (that is, the amount of interest or Section B.5 Amounts due and payable after any October 1 or April 1 and prior to the next succeeding April 1 or October 1, as the case may be, pursuant to the provisions of the second sentence of Section B.4(a) hereof or pursuant to Section B.5 hereof, as the case may be). Such election shall be made upon notice to Lender at least three Business Days prior to the last day of the applicable Funding Period or the day the Section B.5 Amounts are due and payable, as

the case may be, and the Additional Loans shall be deemed to be made as of the last day of such Funding Period or the day the Section B.5 Amounts are due and payable, as the case may be. The proceeds of Additional Loans shall be applied on the day Additional Loans are made to the payment of the amount of such interest or Section B.5 Amounts then due and payable. The amount of each Additional Loan shall be added to the principal amount of its respective Note, shall be part of the Loan, shall bear interest at the same rate as the Loan and shall mature on the next succeeding October 1 or April 1, and shall be entitled to all of the benefits of and security provided by this Security Agreement. Such borrowing by Lessor and the application of the proceeds thereof shall be made by Lender by book entries reflecting, as of the last day of the applicable Funding Period, the payments of interest and the corresponding Additional Loans. Increases in the principal amounts of the Notes due to Additional Loans shall be effective without the need of Lender's notating such on the Notes and the amount of unpaid principal of the Loan shall at all times be ascertained from the records of Lender, which shall be conclusive absent manifest error.

(c) Principal Payments. The Notes shall be payable (a) with respect to the original principal amounts thereof, semi-annually in arrears commencing on April 1, 1986 in such amounts as are set forth in the Amortization Schedule attached to each Note as Schedule A and (b) with respect to any increase in the principal amounts of the Note due to Additional Loans from time to time pursuant to paragraph (b) of this Section B.4 on the immediately next succeeding October 1 or April 1, commencing on October 1, 1986, as applicable, in one installment equal to the entire amount of such increases. In all events and notwithstanding anything else in this Security Agreement or elsewhere to the contrary the last such payment of principal and interest, due October 1, 1995, shall be sufficient to discharge the accrued interest on, and unpaid principal of, the Note.

B.5. Additional Compensation in Certain Circumstances.

(a) Compensation for Taxes, Reserves and Expenses on Outstanding Loans. If any Law:

(i) subjects Lender or any Notional Euro-Rate Funding Office to any tax or changes the basis of taxation with respect to this Security Agreement, the Note, the Loan or payments by Lessor of principal,

interest or other amounts due from Lessor hereunder or under the Note (except for taxes on the overall net income of Lender or such Notional Euro-Rate Funding Office imposed by the jurisdiction in which Lender's principal executive office or Notional Euro-Rate Funding Office is located),

(ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirement against assets held by, credit extended by, deposits with or for the account of, or other acquisition of funds by, Lender or any Notional Euro-Rate Funding Office (other than requirements expressly included herein in the determination of the CD Rate or the Euro-Rate, as the case may be, hereunder), or

(iii) imposes upon Lender or any Notional Euro-Rate Funding Office any other condition or expense with respect to this Security Agreement, the Note, or the making, maintenance or funding of any part of the Loan,

and the result of any of the foregoing is to increase the cost to, reduce the income receivable by, or impose any expense upon Lender or any Notional Euro-Rate Funding Office with respect to this Security Agreement, the Note or the making, maintenance or funding of any part of the Loan by an amount which Lender deems to be material (Lender being deemed for this purpose to have made, maintained or funded the Loan from a Corresponding Source of Funds), Lender shall from time to time notify Lessor of the amount determined in good faith (using any averaging and attribution methods employed in good faith) by Lender (which determination shall be conclusive) to be necessary to compensate Lender or such Notional Euro-Rate Funding Office for such increase in cost, reduction in income or additional expense. Such amount shall be due and payable by Lessor to Lender ten Business Days after such notice is given.

(b) Indemnity. In addition to the compensation required by Section B.5(a) hereof, Lessor shall indemnify Lender against any loss or expense (including loss of margin) Lender being deemed for this purpose to have made, maintained or funded the Loan from a Corresponding Source of Funds, which Lender has sustained or incurred as a consequence of any

(i) payment, prepayment or conversion of any part of the Loan to which the CD Rate Option, Euro-Rate Option or As-Offered Rate Option applies on a day other than the

last day of the corresponding Funding Period (whether or not such payment, prepayment or conversion is mandatory or automatic and whether or not such payment or prepayment is then due),

(ii) attempt by Lessor to revoke (expressly, by later inconsistent notices or otherwise) in whole or part any notice stated herein to be irrevocable (Lender having in its sole discretion the options (A) to give effect to such attempted revocation and obtain indemnity under this Section B.5(b) or (B) to treat such attempted revocation as having no force or effect, as if never made), or

(iii) default by Lessor in the performance or observance of any covenant or condition contained in this Security Agreement or any Note, including without limitation any failure of Lessor to pay when due (by acceleration or otherwise) any principal, interest, commitment fee or any other amount due hereunder or under any Note.

If Lender sustains or incurs any such loss or expense it shall from time to time notify Lessor of the amount determined in good faith by Lender (which determination shall be conclusive) to be necessary to indemnify Lender for such loss or expense. Such amount shall be due and payable by Lessor to Lender ten Business Days after such notice is given.

B.6. Funding by Branch, Subsidiary or Affiliate.

(a) Notional Funding. Lender shall have the right from time to time, prospectively or retrospectively, without notice to Lessor, to deem any branch, subsidiary or affiliate of Lender to have made, maintained or funded any part of the Euro-Rate Portion of the Loan at any time. Any branch, subsidiary or affiliate so deemed shall be known as a "Notional Euro-Rate Funding Office". Notional Euro-Rate Funding Offices may be selected by Lender without regard to Lender's actual methods of making, maintaining or funding the Loan or any sources of funding actually used by or available to Lender.

(b) Actual Funding. Lender shall have the right from time to time during which the Euro-Rate Option applies to the Loan to make or maintain the Loan by arranging for a branch, subsidiary or affiliate of Lender to make or maintain the Loan. Lender shall have the right to (i) hold the Note payable to its order for the benefit and account of such

branch, subsidiary or affiliate or (ii) request Lessor to issue one or more promissory notes in substantially the form attached hereto as Exhibit A with the blanks appropriately filled, payable to such branch, subsidiary or affiliate. Lessor agrees to comply promptly with any request under subsection (ii) of this Section B.6(b) upon appropriate arrangements mutually agreed upon being made for the surrender of the original of such Note. If Lender causes a branch, subsidiary or affiliate to make or maintain any part of the Loan hereunder, all terms and conditions of this Security Agreement shall, except where the context clearly requires otherwise, be applicable to the Loan and to any note payable to the order of such branch, subsidiary or affiliate to the same extent as if the Loan were made or maintained and such note were a Note to Lender's order.

B.7. Limitation of Lessor's Liability. Lender agrees (and each party to whom the Notes shall be transferred or assigned shall by its acceptance of the Notes be deemed to have conclusively agreed) that, except for the breach by Lessor of any of its respective representations, warranties and covenants contained in Sections C.2(a), C.3, C.7, C.8(c), C.10, C.11 and C.14 hereof, all obligations of Lessor hereunder or under the Note, are and shall continue to be nonrecourse obligations of Lessor:

Nothing contained herein limiting the liability of Lessor shall derogate the right of Lender to proceed against Collateral or Lessee as provided herein or in the Lease for the full and complete payment of the Indebtedness.

B.8. Application of Rent and Other Proceeds.

(a) Rent. Provided that no Default or Event of Default shall have occurred and be continuing, Lender will accept payments of Rent in respect of the Lease and any interest on overdue amounts thereof made to it by Lessee and will apply such payments, unless a different application is specified herein, promptly to the payment, first, to Lender of any fees due hereunder and of expenses not reimbursed by Lessee in connection with the collection or distribution of such payment, second, to Lender for interest due on the Note on the date such Rent is due and payable under the Lease, third, to Lender to pay principal on the Note due on the date such Rent is due and payable under the Lease (whether at maturity, by acceleration, mandatory prepayment pursuant to this Security Agreement or otherwise), fourth, to Lender in discharge of any other obligation of Lessor or Lessee under

this Security Agreement, the Participation Agreement or the Lease associated with the Note (including overdue interest), and fifth, any excess to Lessor.

(b) Indemnity Payments. Provided that no Default or Event of Default shall have occurred and be continuing, if Lender receives any payments made by Lessee pursuant to Lessee's indemnities contained in Sections 12.1 or 12.2 of the the Master Lease Agreement as incorporated into the Lease which are owed to any person other than Lender, then Lender will forward such payments promptly to or at the direction of the person to whom such payments were to be made. If Lender identifies payments as such, but withholds them because there is a Default or an Event of Default, such payments shall be kept in a separate account until the earlier of (y) such Default or Event of Default is cured or (z) the entire amount of the principal of the Note is declared due and payable under Section D.2(a)(i) hereof.

B.9. Prepayment.

(a) Mandatory Prepayment. In the event of an Event of Loss to the Equipment under the Lease, there shall be due and payable on the Loss Payment Date the aggregate outstanding principal amount of the Note, together with accrued interest and other amounts due Lender pursuant hereto to the date of prepayment. The amount paid to Lender shall be applied promptly to the payment: first, to Lender of any fees due hereunder and of expenses not reimbursed by Lessee in connection with the collection or distribution of such payment, second, for accrued interest on the Note, third, to pay the unpaid principal amount of the Note, fourth, to Lender in discharge of any other obligations of Lessor under this Security Agreement associated with the Note, and fifth, of any excess to Lessor.

(b) Optional Prepayment. Upon at least three Business Days' prior notice to Lender, Lessor may elect to prepay the Note in full together with accrued interest on the principal amounts thereof, without penalty or premium (i) at any time, when the Prime Rate Option is in effect, or (ii) on the last day of any Funding Period, when the CD Rate Option, Euro-Rate Option or As-Offered Rate Option is in effect.

(c) Limitation of Prepayment. No prepayment of the Note may be made except to the extent and in the manner set forth in this Section B.9.

B.10. Exchange. If the Note shall become mutilated, destroyed, lost or stolen, Lessor shall, upon the written request of the holder of the Note, execute and deliver to such holder, in replacement thereof, a new Note in the same face amount and dated the same date as the Note so mutilated, destroyed, lost or stolen. If the Note being replaced has become mutilated, such Note shall be surrendered to Lessor. If the Note being replaced has been destroyed, lost or stolen, the holder of such Note shall furnish to Lessor such security or indemnity as may be required by it to hold it harmless and evidence satisfactory to the Lessor of the destruction, loss or theft of such Note and the ownership thereof; provided, however, that if the holder of such Note is Lender, the unsecured written undertaking of such holder delivered to Lessor providing indemnification shall be sufficient security and indemnity.

C. SECURITY

C.1. Grant of Security. (a) In order to secure the prompt payment of the principal of and interest on the Note (whether now or hereafter outstanding) and of all other moneys payable and to be payable to Lender under this Security Agreement and the Lease and the timely and faithful performance and observance by Lessor and Lessee of all of their respective agreements, covenants and provisions made for the benefit of Lender in this Security Agreement, the Participation Agreement, the Note and the Lease (such payment, performance and observance by Lessor and Lessee being hereinafter sometimes collectively called the "Indebtedness"), Lessor has granted, conveyed, pledged, sold, mortgaged, assigned, transferred and set over a security interest and does hereby grant, convey, pledge, sell, mortgage, assign, transfer and set over a security interest, unto Lender and its successors and assigns in (i) all estate, right, title and interest of Lessor in and to the Equipment referred to in the Lease whether such estate, right, title or interest is now owned or hereafter acquired including all accessories, enhancements, substitute equipment and replacement and added parts which may now or hereafter be installed in or affixed to such Equipment (the Equipment, substitute equipment, accessories, enhancements, and replacement and added parts described in item (i) above being hereinafter sometimes collectively called the "Security Equipment"); (ii) all proceeds from the sale, exchange, loss or other disposition of the Security Equipment (including any and all proceeds of sale, exchange, condemnation, requisition, loss, damage, or action arising out of the

Security Agreement, insurance and indemnity payments); (iii) all rights, claims and causes of action, if any, which Lessor may have against any manufacturer or supplier of the Security Equipment or any other party by contract or otherwise, in respect of any defect in the Security Equipment or any condemnation, requisition, loss, or damage in respect thereof; and (iv) the Lease, the Purchase Agreement and the Bills of Sale in respect of the Lease, together with all of Lessor's estate, right, title, interest, claim and demand in, to and under the Lease and such Bills of Sale, including the right to receive notices and give consents under the Lease and such Bills of Sale, and all Rent, damages and other money from time to time payable to or receivable by Lessor under the Lease and such Bills of Sale including insurance and condemnation proceeds (such Security Equipment, proceeds, rights, claims, causes of action, Lease and other documents described in items (i) through (iv) above being hereinafter sometimes collectively called the "Collateral"), to have and to hold all and every part of the Collateral unto Lender, and its successors and assigns, for its and their own use and benefit forever;

(b) Provided, further, that so long as no Event of Default (under and as defined in any Lease), or event which, but for the lapse of time or the giving of notice or both, would constitute such an Event of Default, shall have occurred or be continuing, upon termination of the Lease with respect to the Equipment hereunder pursuant to Section [13] of the Master Lease Agreement to the extent incorporated in the Lease and after payment in full of the amounts required to be paid in connection with such termination pursuant to Section B.9 hereof, or upon expiration of the initial term of the Lease with respect to the Equipment thereunder and after payment in full of all amounts required to be paid hereunder and under the Note at or prior to the time of such expiration, then all estate, right, title and interest of Lender in and to such Equipment shall revert to Lessor, and this Security Agreement and rights and powers granted herein and hereby shall cease to be binding to the extent of such Equipment and the Lease and shall be of no further force or effect with respect thereto; and

(c) Provided, further, and these presents are on the condition that, if Lessor, or its successors or assigns, or Lessee shall in connection with the Note and the Lease pay or cause to be paid to Lender all of the Indebtedness in accordance with its terms, as provided in this Security Agreement, the Participation Agreement, the Note and the

Lease, and shall well and faithfully perform and observe, or cause to be performed and observed, all of the agreements, covenants and provisions herein and therein at the time and in the manner specified, then all rights herein assigned to Lender in respect to the Collateral related to the Note and the Lease shall cease and terminate, all estate, right, title and interest of Lender in and to such Collateral shall revert to Lessor, and this Security Agreement and rights and powers granted herein and hereby shall cease to be binding to the extent of such Collateral and shall be of no further force and effect with respect thereof.

(d) (i) For purposes of this Section C.1(d), the term "Separable Items" means equipment which is not a substitution for Equipment or parts thereof and

(y) which is of an independent and stand-alone nature, which will not be installed in or affixed to or otherwise be accessions (as defined in the Uniform Commercial Code as in effect in New York) to the Equipment and which will have and maintain discrete manufacturer serial numbers following installation of such equipment, or

(z) which upgrades the Equipment, but is not essential for the operation thereof and which, although an accession, can be detached from the Equipment without materially interfering with the operations of the Equipment or materially reducing the value, capability or efficiency of the Equipment,

and the term "Other Items" means Enhancements and accessions to which this Section C.1(d) relates which are upgrades and not Separable Items and which Lessee has a right under the Lease to require Lessor to lease to Lessee.

(ii) In the event the Lessee shall require Lessor pursuant to the terms of the Lease to lease to Lessee Enhancements as defined in the Lease, or otherwise requests Lessor to lease accessions to the Equipment, Lessor shall notify Lender in writing ("Lessor's Notice") and provide to Lender all pertinent details of the proposed transaction, including a list of the items of equipment involved, the cost thereof and the term of the proposed lease, and, to the extent possible, shall categorize the equipment as "Separable Items" or "Other Items" (herein collectively, the "Items") in accordance with the definitions used for purposes of this Section C.1(d), and shall provide such additional information

with respect to the Items or the proposed transaction as Lender reasonably requests. If Lessor wishes to finance the purchase of Items with borrowed funds, the repayment of which is secured by a security interest in such Items Lessor shall supply to Lender all documentation (the "Loan Application") reasonably required by Lender in connection with an application for a loan of the sort requested and Lessor shall request Lender to provide financing for a term not to exceed the Initial Term as defined in the Lease in an amount specified not to exceed the Lessor's cost of the Items and shall specify the latest deadline at which it reasonably can accept a response to such request, but in any event no sooner than six Business Days after the Loan Application has been submitted. Lender shall use its reasonable endeavors to respond to such request at the earliest date possible but in any event no later than the deadline specified, stating whether Lender is willing to lend pursuant to documentation substantially equivalent to this Security Agreement and the Note or requires other documentation setting forth a different structure and in any event specifying applicable rates and other information relevant to interest. If Lender shall fail to respond to or shall reject the request at or before the deadline, or if Lender shall propose terms or conditions unacceptable to Lessor, Lessor after such time (the "Response Time") may proceed to complete financing arrangements for the purchase of the Items with another lender, provided Lessor promptly notifies Lender of the name and terms offered by the other lender and provided that Lessor must accept Lender's terms and conditions if they are at least comparable to those offered to Lessor by other recognized commercial lenders or financial institutions ("Recognized Lenders") and provided further in the case of Other Items Lessor agrees to accept Lender's terms if Lender is willing to employ documentation substantially similar to this Security Agreement, the Participation Agreement and the Note, including the same pricing specifications and reasonable closing costs, and provided further that if no binding commitment is obtained from Recognized Lenders within 30 days of the Response Time, Lessor agrees to give Lender a new opportunity to respond to Lessor's request and repeat the foregoing procedures. If Lessor has completed financing arrangements with another lender as aforesaid, Lender upon the written request of Lessor shall execute and deliver in favor of such other lender, at Lessor's expense, an agreement that the relevant Items may be attached and connected to and utilized with the Equipment under such Lease and that the Equipment may be altered to accommodate such Items and a concession of priority in favor of such other lender (up to

an amount equal to the loan proceeds applied to the purchase of the Items) in respect of Lender's security interest in the Items, such concession being limited specifically to such Items specified in the Loan Application and in no event applying to Other Items having an original cost in the aggregate in excess of the upper limit for Enhancements which Lessor is required to lease pursuant to the provisions of Section 18 of the Lease unless Lender has consented thereto. Such concession of priority shall be effective only to the extent that such other lender obtains a perfected and enforceable security interest in the Items with priority over all claims over which Lender's security interest has priority and shall be in a form which is reasonably satisfactory to Lender and such other lender. Notwithstanding the foregoing Lender shall not be required to concede any claim or right it may have against Lessor or any other responsible party in respect to loss, damage, or injury to the Equipment occurring in connection with the installation, removal or operation of the Items or to grant any concession of priority that Lender in good faith determines will jeopardize its security interests granted hereunder or the ability to collect Rent from Lessee as those terms are used in the Lease and provided, further, that if any item of Equipment or part thereof is used as part of the purchase price of the Items, by trade-in or otherwise, Lender's claim in respect of the Items shall remain pari passu with the claims of the other lender to the extent of that part of the purchase price (except to the extent Lender has received repayment of principal in respect of such Item).

C.2. Perfecting Security. (a) Lessor shall, prior to closing, from time to time and at no expense to Lender, promptly execute, acknowledge, witness and deliver and Lessor shall within a reasonable time thereafter but in any event prior to the end of two Business Days thereafter, file or record, or cause to be filed and/or recorded, or prior to such respective times procure the execution, acknowledgment, witnessing, delivery and filing and/or recordation of, such documents or instruments, for the perfection against Lessor, Lessee and all third parties whomsoever (subject to the rights created by the Lease relating to the Security Equipment) of the security interest created by this Article C, and of the rights and powers herein and therein granted to Lender and for the protection thereof, and promptly give to Lender evidence satisfactory to Lender of such delivery and filing and/or recording. Lessor shall cooperate with Lender and upon Lender's request take all necessary steps to perfect and to continue the perfection of the security interest in

the Lease and Equipment, and shall cause this Security Agreement and such financing and continuation statements, notices and additional security agreements to be filed or recorded in such a manner and in such places as may be required by applicable law for such purpose.

(b) Without limiting the generality of the foregoing, Lessor shall from time to time and at any time make such filings and recordings and execute, acknowledge, witness and deliver such financing and continuation statements, notices and additional security agreements, make such notations on its records, and take such other action as Lender may reasonably request for the purpose of so perfecting, maintaining and protecting such security interest of Lender, and Lessor shall on its own initiative, prepare and arrange for and file in the appropriate offices any and all Interstate Commerce Commission filings or comparable continuation statements which are necessary to perfect and protect, or continue to perfect and protect, the security interest of Lender in the Collateral. Lessor hereby authorizes Lender to effect any filing or recording necessary solely to perfect or continue the perfection of the security interest herein granted or any continuation statement or assignment which Lender has requested and is entitled to request pursuant to this Section C.2 without the signature of Lessor to the extent permitted by applicable law. Lender agrees promptly to provide Lessor with a copy of any such filing. The costs and expenses of Lender with respect to such actions shall be payable by Lessor upon demand.

C.3. Title to Collateral. Lessor hereby represents, warrants and covenants that (a) so long as the Note shall be outstanding hereunder, Lessor or its permitted assigns hereunder shall hold such title to the Security Equipment with respect thereto free and clear of all liens, charges and encumbrances created by, through or under Lessor (excepting Permitted Lessor Liens and liens, charges and encumbrances arising out of matters which Lessee has agreed to pay or discharge) and (b) Lessor has not executed any other assignment of the Lease or of the Bills of Sale in respect thereof and has received no advance rental payments under the Lease.

C.4. Inspection. Subject to Lessee's normal security, safety and confidentiality regulations and to the extent that Lessor can grant such right, upon three days' prior written notice to Lessee, Lender shall have at all reasonable times during normal business hours the right of

access to the premises where the Security Equipment is located for the purpose of inspecting the Security Equipment and applicable maintenance records for, and records of hours of use of, the Security Equipment and observing its use and operation, and/or otherwise protecting the security interest created herein.

C.5. Performance by Lessor. Lessor represents and warrants that (a) notwithstanding the assignment hereunder, Lessor will perform all of the covenants and conditions set forth to be complied with by it in this Security Agreement, in the Note and in the Lease (subject to the provisions of Section D.9 hereof) and (b) to the knowledge of Lessor, it has performed all obligations on its part to be performed under the Lease on or prior to the date hereof and there has not occurred on or prior to the date hereof any Event of Default under the Lease or any event which, but for the lapse of time or the giving of notice or both, would be such an Event of Default.

C.6. Performance by Lender. The assignment of the Lease hereunder is made only as security, and, therefore, shall not subject Lender to, or transfer, or pass, or in any way affect or modify, the liability of Lessor under the Lease, it being understood and agreed that notwithstanding such assignment, or any subsequent assignment, all obligations of Lessor to Lessee under the Lease shall be and remain enforceable by Lessee, its successors and assigns, against, and only against, Lessor, except that Lessee's right to Quiet Enjoyment as permitted and provided in the Lease shall not be limited hereby. Nevertheless, Lender may, at any time and from time to time at its option, upon prior written notice to Lessor, perform any act which is undertaken by Lessor to be performed by Lessor under the Lease or hereunder, but which Lessor shall fail to perform, and may take any other action which Lender may deem necessary and commercially reasonable for the maintenance, preservation or protection of its security interest in the Collateral subject to Lessee's right of Quiet Enjoyment to the extent permitted and stated in the Lease. All monies advanced and all expenses (including reasonable legal fees) incurred by Lender in connection with such action, together with interest at a rate per annum equal to the lesser of (a) one percent higher than the interest rate then payable on the Note and (b) the maximum rate permitted under applicable law, shall be repaid by Lessor to Lender upon demand, and shall constitute part of the Indebtedness secured hereby as provided herein. The making of such advance by Lender shall not, however, cure any

Default hereunder until the full amount of all such monies so advanced and such interest thereon shall have been repaid to Lender and such Default shall have otherwise been cured.

C.7. Location of Chief Place of Business. To the extent required to obtain or continue any security interest hereunder, Lessor agrees to give Lender written notice of any change in the location of its chief executive office or major executive office or chief place of business not more than thirty days after such change.

C.8. Protection of Security

(a) In the event any of the Collateral is levied upon under legal process or falls under any other lien or encumbrance of whatever nature, except Permitted Lessor Liens and liens, charges and encumbrances arising out of the matters which Lessee has agreed to pay or discharge, Lessor shall, promptly after the existence of any such lien or encumbrance shall first become known to Lessor, take appropriate steps to cause the same to be duly discharged, dismissed or removed;

(b) Lessor shall not cause or permit anything to be done which may impair the value of the Collateral or the security interest therein intended to be granted hereby; provided, that any possession, use, operation, disposition or enhancement of the Equipment expressly permitted under the Lease shall not constitute a violation of this covenant; and

(c) Lessor shall not without the prior written consent of Lender sell, assign (including by virtue of assignments by operation of law), mortgage, pledge or otherwise transfer or encumber any of the Collateral (except as expressly permitted herein and in respect of the Equipment as expressly permitted in the Lease).

C.9. Disclaimer by Lender. Lender makes no representations or warranties with respect to the Collateral or any part thereof, Lender shall not be chargeable with any obligations or liabilities of Lessor with respect thereto, and Lender shall have no liability or obligation arising out of any such claims, known or unknown, with respect to the Collateral subject to Lessee's right of Quiet Enjoyment to the extent permitted and stated in the Lease.

C.10. Amendments to Agreements. Lessor hereby represents and warrants that it has not, and covenants that

it shall not, as long as this Article C shall remain in effect, except with the prior written consent of Lender, which consent shall not be unreasonably withheld, enter into any agreement amending, modifying or terminating the Lease. Any attempted amendment, modification or termination without such consent shall be void upon written notice to Lessor. Consent by Lender to any one amendment or modification shall not be deemed to be consent to any other amendment or modification.

C.11. Indemnity for Acts of Lessor. Lessor covenants and agrees with Lender that in any suit, proceeding or action brought or taken by Lender under the Lease or the related Bills of Sale to enforce any provisions of the Lease or Bills of Sale, Lessor will save, indemnify and keep Lender harmless from and against all expense (including reasonable legal fees and expenses), loss or damage suffered by reason of any defense, setoff, counterclaim or recoupment whatsoever of Lessee, arising out of a material breach by Lessor of any obligation of Lessor under the Lease (other than a breach by Lessor of its obligations under the Lease which results directly from Lender's asserting its rights as Assignee of the Lease against Lessee or a seller for a default or alleged default under the Lease or Bills of Sale) or arising out of any other indebtedness or liability owing to Lessee by Lessor. Any and all such obligations of Lessor shall be and remain enforceable against and only against Lessor and shall not be enforceable against Lender.

C.12. Notices. Lessor shall cause copies of all notices received or sent by it in connection with the Lease to be promptly delivered to Lender at Lender's address indicated on Exhibit B hereto. Lender shall cause a copy of any counterclaim by Lessee, or its successors or assigns, against Lessor, in connection with any suit, action or proceeding by Lender against Lessee to be promptly delivered to Lessor.

C.13. Further Assurances. At any time and from time to time, upon the reasonable request of Lender, Lessor shall promptly and duly execute and deliver any and all such further instruments and documents as Lender may reasonably deem necessary to obtain the full benefits of the security interests created hereby and of the rights and powers herein granted.

C.14. Representations and Warranties of Lessor. Lessee represents and warrants that:

and the agreements or instruments executed and delivered pursuant thereto, nor compliance with the terms and provisions hereof and thereof, conflicts or will conflict with or will result in a breach or violation of any of the terms, conditions or provisions of any law, governmental rule or regulation or the charter documents, as amended, or by-laws, as amended, of Lessor or any order, writ, injunction or decree of any court or governmental authority against Lessor or by which it or any of its properties is bound, or of any indenture, mortgage or contract or other agreement or instrument to which Lessor is a party or by which it or any of its properties is bound, or constitutes or will constitute a default thereunder or will result in the imposition of any lien not permitted by the Lease upon any of its properties;

(g) On the Closing Date, Lessor will have received such title to the Equipment, and become the owner thereof, free and clear of all liens, charges and encumbrances, excepting Permitted Lessor Liens and liens, charges and encumbrances arising out of matters which Lessee has agreed to pay or discharge;

(h) Lessor shall apply the proceeds of the Loan solely to the payment of the Lessor's Cost of the Equipment;

(i) Lessor's place of business (as used in Section 9-103(3)(d) of the Colorado Uniform Commercial Code) and its chief executive office (as used in Section 9-103(3)(c) of the Colorado Uniform Commercial Code) are located at 2995 Baseline Road, Boulder, Colorado 80302;

(j) Neither Lessor, nor, to its knowledge, anyone acting on its behalf has directly or indirectly offered the Note or similar securities relating to the Equipment, for sale to, or solicited any offer to acquire any of the same from, anyone other than the Lender;

(k) No funds used to acquire Lessor's interest in the Equipment will be furnished directly or indirectly out of the assets of or in connection with any employee benefit plan (or its related trust), all as defined in ERISA; and

(l) There is no action or proceeding pending or threatened against the Lessor before any court or administrative agency or other governmental body which would result in any material adverse effect on the ability of Lessor to fulfill its obligations under this Security Agreement, the Lease and the Note and the agreements or instruments executed and delivered pursuant thereto.

D. DEFAULT

D.1. Defaults. Each of following shall constitute an Event of Default hereunder, whatever the reason for such event or failure and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment or order of any court or any order, rule, or regulation of any governmental or nongovernmental body:

(a) Failure to make payment of any sum on account of the principal of or interest on the Note when the same shall become due, whether at maturity, by acceleration, as part of a mandatory prepayment or otherwise, and such failure shall continue for five Business Days after receipt of written notice thereof from Lessor to Lender;

(b) Lessor shall default in performance of any of its other obligations under this Security Agreement with respect to the Note or Collateral related thereto and such default shall continue for fifteen Business Days after written notice thereof to Lessor from Lender;

(c) Lessor shall be adjudicated a bankrupt or insolvent or admit in writing its inability to pay its debts as they mature, or make an assignment for the benefit of creditors; or Lessor shall apply for or consent to the appointment of any receiver, trustee or similar officer for it or for all or any substantial part of its property; or such receiver, trustee or similar officer shall be appointed without the consent of Lessor and such appointment shall continue undischarged for a period of sixty days; or Lessor shall institute (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, arrangement, readjustment or debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or any such proceeding shall be instituted (by petition, application or otherwise) against Lessor and shall remain undismissed for a period of sixty days; or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against a substantial part of the property of Lessor and such judgment, writ, warrant or similar process shall not be released, vacated or fully bonded within sixty days after its issue or levy, or Lessor or any of its officers shall take any corporate or other action to initiate any of the foregoing; or

(d) An Event of Default, as that term is used in Section 15.1 of the Master Lease Agreement, shall have occurred.

D.2. Effect of a Default.

(a) Remedies. Upon the occurrence of any Event of Default and at any time thereafter so long as the same shall be continuing, but subject always to any mandatory requirements of applicable law then in effect (and, if there is no Event of Default under Section D.1(d), subject to Lessee's right of Quiet Enjoyment to the extent permitted and stated in the Lease), Lender may, at its option, do any one or more or all of the following acts, as Lender in its sole and complete discretion may then elect:

(i) by written notice to Lessor declare the entire principal amount of the Note to be due and payable forthwith, whereupon such Note shall become due and payable, both as to principal and interest, without presentment, demand or protest of any kind, all of which are hereby expressly waived, anything contained herein or in such Note to the contrary notwithstanding, but subject, nevertheless, at all times to the nonrecourse provisions of such Note and hereof;

(ii) exercise all rights and remedies of Lessor under the Lease, and Lessor shall have no further rights thereunder (except to receive copies of all notices given and received thereunder) until the security interest granted under Article C hereof with respect to such Lease reverts to Lessor;

(iii) institute legal proceedings to foreclose upon and against the respective security interests granted herein to recover all amounts then due and owing with respect to the Note, including amounts associated with the Note pursuant to the first two sentences of Section B.7, and to collect the same out of the Collateral;

(iv) institute legal proceedings for the sale or lease, under the judgment or decree of any court of competent jurisdiction, of any of the Collateral;

(v) institute legal proceedings for the appointment of a receiver or receivers pending foreclosure hereunder or the sale or lease of any of the Collateral under the order of a court of competent jurisdiction or under other legal process;

(vi) personally, or by agents or attorneys, enter into and upon any premises wherein the Collateral or any

part thereof may then be located, and take possession of all or any part thereof or render it unusable by Lessor, and, without being responsible for loss or damage, hold, store and keep idle, or operate, lease or otherwise use or permit the use of the same or any part thereof for such time upon such terms as Lender may determine in a commercially reasonable manner;

(vii) personally, or by agents or attorneys, enter into and upon any premises wherein the Collateral or any part thereof may then be located, and take possession of all or any part thereof with or without process of law and without being responsible for loss or damage, and sell, lease or otherwise or dispose of all or any part of the same, free from any and all claims of Lessor or of any other party claiming by, through or under Lessor at law, in equity or otherwise, at one or more public or private sales, in such place or places, at such time or times and upon such terms as Lender may determine in a commercially reasonable manner with or without any previous demand on or notice to Lessor or advertisement of any such sale or other disposal except that Lender shall provide Lessor with prior written notice of any sale or lease of the respective Collateral; and for the aforesaid purposes, all other notice of sale, advertisement and demand and any right or equity of redemption otherwise required by, or available to Lessor under, applicable law (but not Lessor's rights under this Security Agreement) are hereby waived by Lessor to the fullest extent permitted by applicable law; the power of sale hereunder shall not be exhausted by one or more sales, and Lender may from time to time adjourn any sale to be made hereunder;

(viii) demand, collect and retain all hire, earnings and all other sums due and to become due pursuant to subsections (vi) and (vii) of this Section D.2(a) from any party whomsoever, accounting only for net earnings arising after charging against all receipts from the use of and/or sale of the Collateral, all unpaid items of Indebtedness, and all other costs and expenses of, and damages or losses by reason of, such use and/or sale; and

(ix) exercise any other right, power, privilege or remedy which may be available to a secured party under the Uniform Commercial Code or any other applicable law.

(b) Lessor covenants that it will not create or instigate any breach of peace or, to the best of its ability, permit any third party to create or instigate a breach of the peace in the event Lender should exercise or purport to exercise any right set forth herein.

(c) Application of Proceeds. The proceeds from the sale or lease of the respective Collateral pursuant to any of the provisions of this Section D.2 shall be applied by Lender in the manner provided for in Section B.8(a) hereof.

D.3. Right to Cure. Anything herein to the contrary notwithstanding, in the case of any Event of Default occurring hereunder with respect to the Note due to the occurrence of an Event of Default under the Lease where such Event of Default is with respect to the failure of Lessee to pay Rent, Lender shall not, without the prior written consent of Lessor, exercise any remedy or remedies provided herein or in the Lease in respect thereof during the period from the time such Event of Default initially occurred until five Business Days next following the time of Notice to Lessor of such Event of Default is sent. During such period, Lessor shall have the right to cure, on behalf of Lessee, such Event of Default under the Lease. Each separate Event of Default as to payment of Rent occurring subsequent to such an Event of Default which was theretofore cured by Lessor shall be subject to the period during which Lender may not exercise its remedies as hereinabove.

No party exercising any such right to cure shall obtain any lien, charge or encumbrance of any kind upon the Equipment or any rentals or other amounts payable therefor under the Lease in respect of any sums paid in connection with the exercise of such right or the curing of such Event of Default, nor shall any claims of such party against Lessee for the repayment of such sums so advanced impair the prior right of Lender to the sums payable by Lessee under the Lease; provided, however, that if no Default hereunder shall then have occurred and be continuing and if the respective Indebtedness then due and owing shall have been paid at the time of receipt by Lender from Lessee of an overdue installment of Basic Rent in respect of which Lessor shall have made payment to Lender pursuant to this Section D.3 and/or any interest payable by Lessee in respect of the late payment thereof, such installment or other sum and interest thereon shall be released to or at the written direction of Lessor. Subject to the foregoing, Lessor shall be subrogated to all of Lender's right to any payment for which Lessor has

advanced any sums hereunder, provided that Lessor's claim shall be subordinated to those of Lender and not asserted unless and until all payments due and payable to lender are paid in full.

D.4. Right to Purchase the Note. At any time after Lender has declared Lessee in Default under the Lease pursuant to Section 15 of the Master Lease Agreement, it shall notify Lessor and Lessor shall be entitled at any time within 30 days after it has received such notice to prepay the Note by paying the holder in immediately available funds the aggregate unpaid principal amount of the Note together with accrued interest thereon to the date of payment plus any other Indebtedness associated with the Note payable to such holder.

D.5. Waiver by Lessor. To the fullest extent that it may lawfully so agree, Lessor shall not at any time insist upon, claim, plead, or take any benefit or advantage of, any appraisal, valuation, stay, extension, moratorium, redemption or any similar law now or hereafter in force in order to prevent, delay or hinder the enforcement of this Security Agreement or the absolute sale of any part or all of the Collateral or the possession thereof by any purchaser at any sale pursuant to Section D.2 hereof; and Lessor, for itself and all who may claim through it, as far as it or they now or hereafter lawfully may do so, hereby waives the benefit of all such laws and all right to have the Collateral marshalled upon any foreclosure hereof, and agrees that any court having jurisdiction to foreclose under this Security Agreement may order the sale of the Collateral as an entirety.

D.6. Right to Purchase Collateral. At any sale pursuant to Section D.2 hereof, Lender or its agent may, to the extent permitted by applicable law, bid for and purchase the Collateral offered for sale or lease, may use any claim for applicable Indebtedness then due and payable to it with respect to the Note as a credit against the purchase price and, upon compliance in full with the terms of such sale or lease, may hold, retain and dispose of such property without further accountability therefor to Lessor or any other party.

D.7. Cumulative Rights. Each right, power and remedy herein specifically granted to Lender or otherwise available to it shall be cumulative, and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or otherwise; and each right, power and remedy, whether

specifically granted herein or otherwise existing, may be exercised, at any time and from time to time, as often and in such order as may be deemed expedient by Lender in its sole and complete discretion; and the exercise or commencement of exercise of any right, power or remedy shall not be construed as a waiver of the right to exercise, at the same time or thereafter, the same or any other right, power or remedy. No delay or omission by Lender in exercising any such right or power, or in pursuing any such remedy, shall impair any such right, power or remedy or be construed to be a waiver of any default on the part of Lessor or an acquiescence therein. No waiver by Lender of any breach or default of or by Lessor under this Security Agreement shall be deemed to be a waiver of any other or similar, previous or subsequent breach or default.

D.8. Rights Under the Lease. Notwithstanding any of the provisions of this Security Agreement to the contrary, neither Lessor nor Lender shall, in the absence of an Event of Default under the Lease, or event which, but for the lapse of time or the giving of notice or both, would constitute such an Event of Default under the Lease, take any action contrary to the rights of Lessee, its permitted successors and assigns under the Lease except in accordance with the provisions of the Lease.

D.9. Lender as Agent. Lessor hereby constitutes Lender and its successors and assigns the true and lawful attorney of Lessor, irrevocably and with full power of substitution, in the name of Lessor or otherwise, to demand, receive and sue for, and (with the consent of Lessor unless and until a Default shall have occurred hereunder in which case such consent shall not be required) compromise and give acquittance for, any and all rentals, profits, moneys and claims for money due to become due under the Lease and the Bills of Sale or otherwise arising out of this Article D, to endorse any checks or other instruments or orders in connection therewith, to make all waivers and agreements and to file any claims or take any actions or institute any proceedings with respect thereto which Lender may deem necessary or advisable in good faith and acting pursuant to commercially reasonable standards. Anything herein contained to the contrary notwithstanding, neither Lender nor its nominee or assignee shall have any obligation or liability by reason of or arising out of this Article D to make any inquiry as to the nature or sufficiency of, to present or file any claim with respect to, or to take any action to collect or enforce the payment of, any amounts to which it

may be entitled at any time or times by virtue of this Article D. Lessor agrees that this power of attorney is coupled with an interest of Lender.

D.10. Reliance of Lender. Lender shall be entitled to rely on any power of attorney or agency granted by Lessor to Lessee and to assume that the same is in full force and effect until receipt of actual notice from Lessor that the power or agency has been revoked.

E. MISCELLANEOUS

E.1. Successors and Assigns. (a) This Security Agreement shall be binding upon and inure to the benefit of Lessor and Lender and their respective successors and assigns, except that Lessor may not assign its rights nor delegate its duties hereunder without the prior written consent of Lender pursuant to subparagraph E.1(b).

(b) Lessor may transfer to another person or entity (hereinafter in this Section E.1(b) referred to as the "Transferee") all its right, title and interest in and to the Lease and the Collateral constituting, subject to or otherwise associated with the Lease, subject to the conditions that (i) (y) Lessor remains liable under this Security Agreement, the Participation Agreement, and the Note, or (z) Lessor remains liable under the Participation Agreement and the Transferee confirms that it shall be deemed a party to this Security Agreement and the Note and agrees to be bound by all the terms of, and to undertake all of the obligations of the Lessor contained therein and to assume the Lessor's obligations under this Security Agreement and the Note pursuant to an agreement or agreements in form and substance satisfactory to Lender, (ii) such transfer is made in compliance with all applicable laws, rules and regulations of or in effect in the United States and any other applicable laws, rules or regulations, and is a transaction not involving any public offering, as such terms are used in the Securities Act of 1933, as amended, or the rules and regulations promulgated thereunder, and such transfer does not result in any interest in such Lease or Collateral or in the imposition of any lien, charge or encumbrance ("Lien") on Equipment, the Lease or proceeds thereof (except an interest or Lien subordinate to the rights of Lender under this Security Agreement and the Note pursuant to an agreement of subordination satisfactory in form and substance to Lender in its sole discretion), (iii) the Transferee, if clause (i)(z) applies, delivers to the holder of the Note an opinion or

opinions of counsel selected by the Transferee and reasonably satisfactory to the holder of the Note stating that the assumption agreement referred to in clause (i)(z) above is a legal, valid and binding obligation of the Transferee enforceable in accordance with its terms (assuming the due execution, authorization and delivery by the parties thereto other than the Transferee and assuming the perfection of Lender's security interest in the Collateral against transferor Lessor) and that as a result of such conveyance no additional legal action (in the United States, the State in which such counsel is qualified to practice, and, to the best knowledge of such counsel, any other relevant jurisdiction) is necessary to protect or preserve the validity priority, or perfection of the security interest in the Collateral created pursuant to this Security Agreement or specifying any such legal action and stating that such action has been duly taken, (iv) the Transferee has taken whatever legal action shall be specified in the opinion referred to in clause (iii) above and whatever other legal action the holders of the Note may reasonably request for the purpose of protecting or preserving the validity, priority or perfection of the security interest in the Collateral created pursuant to this Security Agreement and (v) all expenses (including fees and disbursements of counsel) reasonably incurred by the Lender in connection with such transfer are paid in full by the Lessor or Transferee, and (vi) Lender's interests are not prejudiced. Upon such transfer by the Lessor as provided in clause (i)(z) of this section E.1(b), the Transferee in respect of such Lease and Collateral shall be deemed the "Lessor" for all purposes hereof, and each reference in this Security Agreement to the Lessor in such respect shall thereafter be deemed to include the Transferee, for all purposes, except that no such transfer shall discharge the transferor Lessor's obligations hereunder or under the Lease, this Security Agreement or the Note arising out of matters or events occurring simultaneously with or prior to the effectiveness of such transfer.

E.2. Governing Law. This Agreement shall be deemed to be a contract under the laws of the State of New York and the execution, delivery, terms and provisions hereof shall be governed by and construed in accordance with such laws, except to the extent required by mandatory provisions of other applicable Law.

E.3. Entire Agreement. This Security Agreement and the Note embody the entire agreement between the Lender and the Lessor and supersede all prior agreements and

understandings, if any, relating to the subject matter hereof. Such terms, rights and obligations may not be changed orally or by conduct or any course of dealing, but may be changed only by an agreement in writing signed by the party against whom enforcement of such change is sought.

E.4. Counterparts. This Security Agreement may be executed in any number of counterparts and by the parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of such counterparts shall together constitute a single instrument.

E.5. Notices. All notices under Section B.3 hereof shall be sent to the Lender by telex (which shall be effective when received) or by telephone confirmed by telex (which shall be effective when telephoned) or first class mail, in all cases with charges prepaid. All other communications and notices provided for herein shall, except as otherwise provided, be in writing and shall become effective when deposited in the United States mail, prepaid and addressed to the address indicated in Exhibit B hereto for such party or to such other address as such party may designate in writing pursuant hereto.

E.6. Expenses. All statements, notices and other documents or information furnished to Lender under this Security Agreement or the Participation Agreement shall be supplied without cost to Lender. Lessor shall reimburse Lender for all out-of-pocket charges and expenses (including reasonable legal fees and expenses) incurred by Lender in connection with the enforcement of this Security Agreement, the Note, the Lease or any other document contemplated therein or herein or the protection or preservation of any right or claim of Lender in connection with this Security Agreement, the Note or the Lease.

E.7. Captions. The captions in this Security Agreement are for the convenience of reference only, and shall neither define nor limit any of the terms or provisions herein.

E.8. Judicial Proceedings. Any judicial proceeding brought against the Lessor with respect to this Security Agreement, the Note, the Lease, the Collateral, or Indebtedness or any matter arising out of or related to the foregoing or related matter may be brought in any Federal or State court of competent jurisdiction located in the Borough of Manhattan in the State of New York and, by execution and

delivery of this Security Agreement, the Lessor accepts the nonexclusive jurisdiction of the aforesaid courts, and irrevocably agrees to be bound by any judgment rendered thereby in connection with this Security Agreement, the Note, the Lease, the Collateral, Indebtedness, or such matters arising out of or related to the foregoing. The Lessor irrevocably designates and appoints CT Corporation System, 1633 Broadway, New York, New York, as its agent to receive on its behalf service of all process in any such proceeding in any such court, such service being hereby acknowledged by the Lessor to be effective and binding service in each and every respect. A copy of any such process so served shall be mailed by registered airmail to the Lessor at its respective address set forth in Exhibit B except that any failure to mail such copy shall not affect the validity of service of process. The Lessor shall at all times maintain an agent for service of process pursuant to this Section. If the Lessor fails to appoint such an agent, or if such agent refuses to accept service, the Lessor hereby agrees that service upon it by mail shall constitute sufficient notice. Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of the Lender to bring proceedings against the Lessor in the courts of any other jurisdiction. Any judicial proceeding by the Lessor against the Lender involving, directly or indirectly, any matter in any way arising out of, related to, or connected with this Security Agreement, the Note, the Lease, the Collateral, or the Indebtedness shall be brought only in a Federal or State court located in the Borough of Manhattan, State of New York.

E.9. WAIVER OF JURY TRIAL. THE LESSOR AND LENDER IN CONSIDERATION OF THE WAIVER BY THE OTHER HEREBY MUTUALLY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING BROUGHT BY IT OR THE LENDER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS SECURITY AGREEMENT, THE NOTE, THE LEASE, THE COLLATERAL, OR THE INDEBTEDNESS, EXCEPT THAT LESSOR MAY DEMAND A TRIAL BY JURY IF LENDER DEMANDS A TRIAL BY JURY.

LESSOR, BY ITS EXECUTION AND DELIVERY OF THIS SECURITY AGREEMENT, HEREBY REPRESENTS AND WARRANTS THAT THIS WAIVER OF JURY TRIAL IS KNOWING AND WILLING AND HAS BEEN GIVEN AFTER CONSULTATION WITH COUNSEL.

E.10. Severability; Unenforceability of Particular Provisions. Any provision of this Security Agreement or of

the Note which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

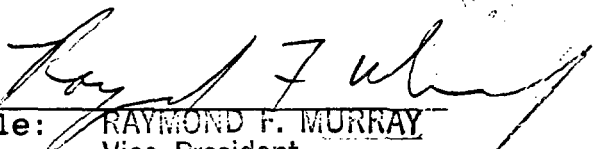
IN WITNESS WHEREOF, the parties hereto have executed this Security Agreement as of the date first above written.

LENDER:

IRVING TRUST COMPANY

By

Title:


RAYMOND F. MURRAY
Vice President

LESSOR:

WHITEWOOD CREDIT CORPORATION

By

Title:

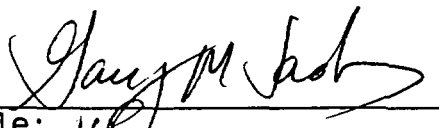

VF

EXHIBIT A
to
Security Agreement

FORM OF
NONRECOURSE PROMISSORY NOTE

\$430,935.00

Date: _____, 1985

FOR VALUE RECEIVED, WHITEWOOD CREDIT CORPORATION, a Colorado corporation ("Lessor"), hereby promises, subject to the limitations hereinafter set forth, to pay to the order of IRVING TRUST COMPANY ("Lender"), at One Wall Street, New York, New York 10015, the principal amount of FOUR HUNDRED THIRTY THOUSAND AND NINE HUNDRED THIRTY FIVE Dollars (\$430,935), plus any additional unpaid principal amount borrowed by Lessor with respect to this Note as provided below, in immediately available funds of lawful money of the United States, together with interest, in like money, from the date hereof on the unpaid principal amount hereof from time to time outstanding at the rate or rates per annum determined pursuant to Section B.2 of, or as otherwise provided in, the Loan and Security Agreement, dated as of September 28, 1985 (as the same may be hereafter amended, modified or supplemented from time to time, the "Security Agreement"), between Lessor and Lender.

Interest on this Note while the Prime Rate Option is in effect shall be due and payable on the first day of each October and April after the date hereof. Interest on this Note while the CD Rate Option, the Euro-Rate Option or the As-Offered Rate Option is in effect shall be due and payable on the last day of the corresponding CD Rate Funding Period, Euro-Rate Funding Period or As-Offered Rate Funding Period, as the case may be, and on each October 1 and April 1 during such CD Rate Funding Period, Euro-Rate Funding Period or As-Offered Rate Funding Period. Notwithstanding the foregoing, pursuant to Section B.4(b) of the Security Agreement Lessor may elect upon not less than three Business Days prior notice to the holder of this Note, to borrow from such holder, and upon such election such holder shall be

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE PUBLICLY RESOLD UNLESS SO REGISTERED OR TRANSFERRED IN A TRANSACTION EXEMPT FROM REGISTRATION.

deemed to have loaned to Lessor, the amount of any payment of interest upon this Note or any Section B.5 Amounts which are due and payable after any October 1 or April 1 and prior to the next succeeding April 1 or October 1, as the case may be, such borrowing to be made by entries reflecting as of the date such payment is due the payment of such interest and such Section B.5 Amounts and the corresponding increase in the principal amount of this Note. After maturity of any part of the Note (at maturity, by acceleration or otherwise), interest on such part of the Note shall be due and payable on demand.

The principal of this Note shall be payable (a) with respect to the original principal amount hereof, semi-annually in arrears as provided in the Amortization Schedule attached to this Note as Schedule A and incorporated by reference herein and (b) with respect to any increase in the principal amount of this Note from time to time pursuant to the preceding paragraph during the semi-annual period next preceding the date of payment, on the immediately next succeeding October 1 and April 1 commencing on April 1, 1986 to and including April 1, 1995 in one installment equal to the entire amount of such increase. In all events and notwithstanding anything else in the Security Agreement or elsewhere to the contrary, the last such payment of principal and interest, due October 1, 1995, shall be in an amount sufficient to discharge the accrued interest on, and the unpaid principal of, this Note.

If any payment of principal or interest on this Note shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing interest in connection with such payment, except that if the Euro-Rate Option is in effect and such next succeeding Business Day falls in the succeeding calendar month, such payment shall be made on the next preceding Business Day. Pursuant to Section B.8 of the Security Agreement, all payments hereunder shall be applied first, to Lender of any fees due hereunder and of expenses not reimbursed by Lessee in connection with the collection or distribution of such payment, second, to Lender for interest due on the Note associated with such Lease on the date such Rent is due and payable under such Lease, third, to Lender to pay principal on such Note due on the date such Rent is due and payable under such Lease (whether at maturity, by acceleration, mandatory prepayment pursuant to the Security Agreement or otherwise), fourth, to Lender in discharge of any other

obligation of Lessor or Lessee under the Security Agreement, the Participation Agreement or such Lease associated with such Note (including overdue interest), and fifth, any excess to Lessor.

This Note is secured by a grant of security made by Lessor to Lender pursuant to the Security Agreement relating to certain railcars leased to The Dow Chemical Company, a Delaware corporation ("Lessee"), pursuant to Equipment Schedule No. 1 (the "Lease"), which incorporates the terms of a certain Master Lease Agreement, each dated as of September 20, 1985 between Lessor and Lessee. Reference is hereby made to the Lease and the Security Agreement for a description of the property assigned and mortgaged, the nature and extent of the security and the rights of Lender and the holder of this Note and of Lessor in respect of such security.

The unpaid principal amount of this Note, the unpaid interest accrued hereon, the interest rate or rates applicable to such unpaid principal amount and the duration of such applicability shall at all times be ascertained from the records of Lender, which shall be conclusive absent manifest error.

ANYTHING HEREIN TO THE CONTRARY NOTWITHSTANDING AND AS OTHERWISE PROVIDED IN THE SECURITY AGREEMENT (EXCEPT FOR BREACHES BY LESSOR OF CERTAIN REPRESENTATIONS, WARRANTIES AND COVENANTS SPECIFIED IN SECTIONS C.2(a), C.3, C.7, C.8(c), C.10, C.11, C.14 AND E.1(b)(v) OF THE SECURITY AGREEMENT), THIS NOTE IS A NONRECOURSE OBLIGATION OF LESSOR, AND THE LIABILITY OF LESSOR TO MAKE PAYMENTS OF PRINCIPAL OF AND INTEREST ON THIS NOTE IS LIMITED SOLELY TO PAYMENTS OUT OF THE RENTS UNDER THE LEASE ASSIGNED AND PAYMENTS OUT OF THE PROCEEDS OF THE OTHER SECURITY PROVIDED IN THE SECURITY AGREEMENT, AND NO HOLDER OF THIS NOTE SHALL HAVE RECOURSE TO LESSOR OR TO ANY OF THE OTHER ASSETS OF LESSOR (EXCEPT AS AFORESAID) IN THE EVENT THAT SUCH RENTS AND PROCEEDS SHALL NOT BE SUFFICIENT FULLY TO DISCHARGE THE LIABILITY OF LESSOR HEREUNDER.

This Note is subject to certain optional and mandatory prepayments and the maturity hereof may be accelerated, all as provided in the Security Agreement. Lessor hereby waives presentment, demand or protest of any kind otherwise required in connection with the payment of principal of or interest on this Note. Capitalized terms used in this Note which are not otherwise defined herein

shall have the meanings given in the Security Agreement. The terms of this Note shall be governed by the laws of the State of New York.

WHITEWOOD CREDIT CORPORATION

By _____

Title: _____

SCHEDULE A

TO

NONRECOURSE PROMISSORY NOTE

ORIGINAL PRINCIPAL AMOUNT: \$430,935.00

AMORTIZATION SCHEDULE

<u>Date</u>	<u>Principal Remaining*</u>	<u>Principal Payment</u>
April 1, 1986	\$430,935.00	\$11,714.78
October 1, 1986	419,220.22	12,417.67
April 1, 1987	406,802.55	13,162.73
October 1, 1987	393,639.82	13,952.49
April 1, 1988	379,687.33	14,789.64
October 1, 1988	364,897.69	15,677.02
April 1, 1989	349,220.67	16,617.64
October 1, 1989	332,603.03	17,614.70
April 1, 1990	314,988.33	18,671.58
October 1, 1990	296,316.75	19,791.87
April 1, 1991	276,524.88	20,979.39
October 1, 1991	255,545.49	22,238.15
April 1, 1992	233,307.34	23,572.44
October 1, 1992	209,734.90	24,986.79
April 1, 1993	184,748.11	26,485.79
October 1, 1993	158,262.12	28,075.15
April 1, 1994	130,186.97	29,759.66
October 1, 1994	100,427.31	31,545.24
April 1, 1995	68,882.07	33,437.96
October 1, 1995	35,444.31	35,444.31

* The principal remaining set forth in this column does not include the principal amount of any Additional Loan made from time to time pursuant to Section B.4(b) of the Security Agreement.

Acknowledgment of Whitewood Credit Corporation

Corporate Form of Acknowledgment

State of _____

County of _____ ss:

On this _____ day of _____, 1985
before me personally appeared, _____, to
me personally known, who being by me duly sworn, says that
(s)he is the _____ of Whitewood Credit
Corporation, that the seal affixed to the foregoing
instrument is the corporate seal of said corporation, that
said instrument was signed and sealed on behalf of said
corporation by authority of its Board of Directors, and (s)he
acknowledged that the execution of the foregoing instrument
was the free act and deed of said corporation.

Signature of notary public

My commission expires _____

[Seal]

EXHIBIT B
TO
SECURITY AGREEMENT

Information for Notices
and Payments

LENDER For Notices: Irving Trust Company
One Wall Street
New York, New York 10015
Attention: Raymond Murray
Reference: Dow Chemical
Telex: 228224 or 226693

For Payments: Check which will provide for
immediately available funds on the
date on which payment is due,
delivered to Irving Trust Company at
the above address

LESSOR For Notices: Whitewood Credit Corporation
2995 Baseline Road,
Boulder, Colorado 80302
Attention: President
Telex: _____

For Payments: wire transfer of immediately available
funds to:

Account No. _____

Attention: _____

LESSEE For Notices: Dow Chemical U.S.A.
2020 Willard H. Dow Center
Midland, Michigan 48674
Attention: Treasurer
Telex: _____

EXHIBIT C
TO
SECURITY AGREEMENT

Acknowledgments of Whitewood Credit Corporation
and Irving Trust Company

Corporate Form of Acknowledgment

State of Colorado

County of Boulder ss:

On this 26th day of September, 1985
before me personally appeared, Gary M. Jacobs, to
me personally known, who being by me duly sworn, says that
(s)he is the Vice President of Whitewood Credit
Corporation, that the seal affixed to the foregoing
instrument is the corporate seal of said corporation, that
said instrument was signed and sealed on behalf of said
corporation by authority of its Board of Directors, and (s)he
acknowledged that the execution of the foregoing instrument
was the free act and deed of said corporation.

Sandra K. Goebel
Signature of notary public

My commission expires 7/29/85

[Seal]

Corporate Form of Acknowledgment

State of New York

County of New York ss:

On this 30th day of September, 1985
before me personally appeared, Raymond H. Murray, to
me personally known, who being by me duly sworn, says that
(s)he is the Vice President of Irving Trust
Company, that the seal affixed to the foregoing instrument is
the corporate seal of said corporation, that said instrument
was signed and sealed on behalf of said corporation by
authority of its Board of Directors, and (s)he acknowledged
that the execution of the foregoing instrument was the free
act and deed of said corporation.

Sylvia Cohen
Signature of notary public

My commission expires 3/30/86

[Seal]

SYLVIA COHEN
Notary Public, State of New York
No. 31-5747950
Qualified in New York County
Commission Expires March 30, 1986